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51st Annual Report 1972

Monarch Investments Limited

The Company symbol is used by Taylor Woodrow Limited and associated companies around the world and represents the teamwork approach to our projects.

Solicitors

McMillan, Binch
20 King Street West, Toronto

Auditors

Peat, Marwick, Mitchell & Co.
Commerce Court West, Toronto

Bankers

The Toronto-Dominion Bank
King and Bay Streets, Toronto

Transfer Agents

Canada Permanent Trust Company
1901 Yonge Street, Toronto
455 Granville Street, Vancouver

Board of Directors and Officers

*R. A. Wykes
President

*C. J. Parsons, C.A.
Executive Vice-President and Treasurer

*A. K. Leitch, D.F.C.
Vice-President and Secretary

*G. E. W. Winship
Vice-President

G. Drummond Birks
President, Henry Birks & Sons Limited

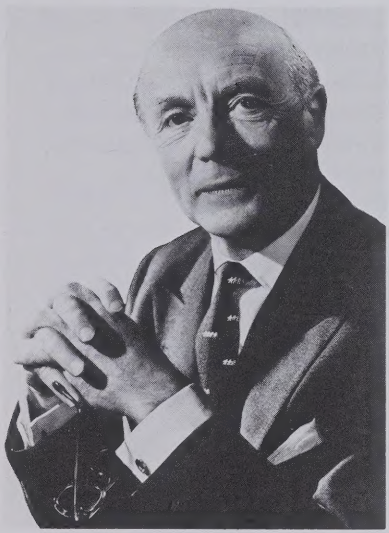
R. G. Heasman, F.I.A.C.
Director, Taylor Woodrow Limited

W. G. C. Howland, Q.C., LL.D.
Partner, McMillan, Binch, Solicitors

D. F. Johnstone
Property Investment Manager, The Standard Life Assurance Company

F. Taylor, F.I.O.B.
Chairman and Managing Director, Taylor Woodrow Limited

*Executive Director



Francis Taylor, Chairman and Managing Director of Taylor Woodrow Limited, who founded the Taylor Woodrow Group in 1922.

To our shareholders

The Monarch Group of Companies has started its second half century with a record year. Your Directors are proud and happy to submit to you the Financial results for the fiscal year ended December 31st, 1972 together with audited Financial Statements reported on by Peat, Marwick, Mitchell & Co. These include a Consolidated Balance Sheet, Consolidated Statement of Earnings and Retained Earnings Employed in the Business, and Consolidated Statement of Source and Application of Funds.

Financial Statements

The operating profit for 1972 before depreciation and income tax amounts to $2,325,628. This compares with the profit for 1971 of $1,659,463. After depreciation, interest on mortgages, bonds, etc., the corresponding figures of net profit before taxes are $2,043,537 and $1,389,387. The net earnings for the year, after taxes and minority interests amount to $1,043,692 as compared with $773,387 for 1971. Total gross income increased from $11,393,467 to $14,945,088 and total assets have now grown to $40,943,359 from $27,889,205. The increase in assets is due to the purchase of shares of Terminal Towers (Hamilton) Limited and further land acquisitions both of which are referred to later in this report.

Towards the end of the year your Directors decided to change the Group's accounting policy with effect from the beginning of 1972 to conform more closely with the guidelines set out in a recent study by the Canadian Institute of Chartered Accountants which are used to a greater or lesser degree by most public real estate companies in Canada. The figures above are based on the new method and the figures of prior years have also been adjusted. In prior years shareholders will remember the Group's land inventory was recorded in the Accounts at not more than cost of acquisition. Under the revised system carrying costs of raw land such as interest on purchase money borrowed, taxes and development charges will be added to the cost of the land provided that after so doing the value stated in the Accounts does not exceed market value.

Financing

On February 1st, 1973 Monarch Investments Limited through A. E. Ames & Co. Limited, successfully completed an issue at par of $2,500,000 of 8% Sinking Fund Debentures, Series A (carrying Warrants to purchase Common Shares) with 250,000 common shares at $8.00 each which realised $4,295,000 before expenses. The purpose of the issue was to increase working capital mainly to maintain and expand our land inventory. The method was chosen to increase participation by Canadians in our Group and we are pleased to report the issue was well accepted.

As a result of the additional finance, the liquidity of the Group has been improved and in particular the bank loan shown in the Balance Sheet was completely repaid in February 1973.

Heron's Hill

This handsome project is fully leased and producing an excellent return. We have refrained from starting the next phase in view of the poor market conditions which presently exist. Whilst our location is outstanding, we are of the opinion that we should delay a start until the demand for office space shows a decided improvement.

42-48 Charles Street East

This building is now fully rented again to good tenants and continues to be a very worthwhile investment.

Kipling Heights Shopping Centre, Etobicoke

We have had problems with this Centre during the year and are actively studying alternate means of changing the character of this project.

Eglinton Square Shopping Centre, Scarborough

This Centre has more than held its own in 1972 and continues to be a good investment. The advent of the Scarborough Town Centre will undoubtedly have some effect on Eglinton Square, but since the effects of Fairview Mall when it opened were short-lived, we believe with good teamwork between us and out tenants and with good promotion we will retain the loyalty of our customers.

Apartments, Toronto

Vacancies have continued very low and although we are still considering some redevelopment it is unlikely any will take place this year.

Monarch Construction Limited

The Chartwell Sub-division in Scarborough has been an outstanding success during the year under review. Both stages of the Condominium project together with a further smaller stage are completely sold and what is more the purchasers appear very satisfied and the mode of life in these excellent homes seems to be completely acceptable. We changed our single family house designs in 1972 to provide larger homes which we considered would better meet the demands of the public and be more profitable to your Group. We are pleased to report that the public response has been good and sales have been brisk. This action was taken because we felt the area warranted it, but we have not been unmindful of the great need for lower cost houses in the greater metropolitan area. To this end, with the Borough of Scarborough's cooperation, we have planned the next phase to provide some smaller lots and more semi-detached and town houses which can be sold freehold rather than as Condominium. This latter phase should be under construction in the late summer of 1973.

Our industrial sub-division in Chartwell has continued to prosper and there is a strong demand for sites.

The delay at Pleasant Valley, Dundas, referred to in last year's report has been resolved and development of this small area of the sub-division should take place this year.

Negotiations to develop the Unionville Sub-Division have not progressed as fast as we would have hoped due to the Region of York not having had a response from the Provincial Government to its brief on the Toronto-Centred Region Plan. This delay has held back many land development companies and it is to be hoped that a further status report favourable to the Region of York will be issued by the Province at the earliest possible moment.

During the year under review and since, your Group has been active in acquiring holdings for future development to ensure continuous operations and to increase the volume of business. We have been successful in acquiring land in St. Catharines, Waterloo and Kitchener which are all well located amounting in aggregate to 367 acres. We anticipate the development of the Waterloo lands will commence early in 1973.

Monarch Construction (Western) Limited

This Company has had a successful though difficult year and in the early part of 1973 there are indications that sales of homes are increasing again following a slump at the end of 1972. We are experiencing some difficulties with services for the final stages of Westminster Park, but anticipate these will be solved in time to permit us to service the remainder of the lands this year.

Monarch Construction (Eastern) Limited

The general position in Quebec shows a slight improvement but sales continue to be slow. Our Sherwood Park Sub-Division is moving slowly and in Beacon Hill and Beacon Woods in Beaconsfield we have been able to sell much of our remaining land at profitable levels. We have not yet decided upon a commencement date of our Vaudreuil development.

Terminal Towers (Hamilton) Limited

In October 1972 Monarch Investments purchased 76% of the Common Shares of the above-named Company whose sole asset is a multipurpose building complex fronting on King, St. Catharines and Main Street in Hamilton. It consists of a Holiday Inn of 231 rooms, an office tower of 85,652 sq. ft., an apartment tower of 128 apartments, built-in parking for 380 cars and a two-level shopping concourse. At the price paid by Monarch for its interest, this project is a good investment in a bustling city, and we anticipate continued growth here. Apart from two very small minority interests, the balance of the shares are owned by other companies in the Taylor Woodrow Group.

Montrow Realty Limited

This Company is our property management company and during the year it was substantially reorganised at which time Mr. Gordon Fuller, C.P.M., was appointed President of the Company.

Our Team

In common with other members of the Taylor Woodrow Group it is our policy to provide for continuity of management and to promote from within. During the year Colin J. Parsons, C.A., was appointed Executive Vice-President of Monarch Investments Limited and as such ranks second to the President. Mr. Parsons joined us in

1959 as Accountant and has served in a variety of positions with the Company with distinction.

We have also appointed Mr. G. E. W. Winship as a Vice-President and Director of Monarch Investments Limited where we anticipate he will make a wise and experienced contribution to our deliberations. Mr. Winship joined us originally in 1961 and is a very experienced land developer. He has also had three years' experience in similar work for the Taylor Woodrow Group in Australia where he was Managing Director of the Group's Land Development and House Building Companies.

We are fortunate in having a good team of people throughout the Monarch Group and wish to pay special tribute to them for the effort they have put forth this year. It is only through the continuous efforts of a good team of people at all levels that worthwhile results can be maintained.

Mr. Norman Notley who has served your Group so well and faithfully for 16 years as Secretary of the various Companies is retiring. We all hope he will enjoy a long and happy retirement.

Mr. A. K. Leitch, a long standing Vice-President and Director of your Company, has been appointed Vice-President and Secretary of your Group.

We are sorry indeed to record the death in August 1972 of Mr. Leslie Olorenshaw, Deputy Chairman of the Taylor Woodrow Group and a Director of Monarch Investments Limited for 17 years. He was well liked and admired by us all. Apart from this sad occurrence, 1972 has been a successful and record year for Monarch and it is regrettable that Les, who made a big contribution over the years to making it possible, should not be here to enjoy it with us.

General

Last year we congratulated the Government of Ontario on the advent of the Toronto-Centred Region Plan and we still maintain that position. However, there are distinct signs that implementation of the plan is resulting in delays in bringing land suitable for development to the market and that this is causing a shortage of serviced land and rapid escalation in prices of homes. We warned in our last annual report that this could happen. We now believe it will continue to happen for four or five years. The public is crying out for homes and we urge the Provincial Government to take a few risks with their Plan—free up land in as many locations as possible—allow upstream sewage treatment plants of modern efficiency together with extensions and upgrading of existing plants to get plenty of homes in all price brackets on the market. Only in this way will prices be held down as the supply begins to approach the demand.

We are very optimistic about 1973. The climate for our business should be good and certainly early indications support that point of view.

Once again, we offer our thanks and appreciation to our Bankers, professional friends and associates, suppliers and subcontractors. To you, our shareholders, we tender special thanks for your continued and valued support. Also we bid a warm welcome to those shareholders who joined us as a result of the new issue and thank them for their confidence.

I personally am most grateful to my colleagues on the Board for their cooperation in administering the affairs of the Company at all times and for their invaluable help and guidance.

R. A. Wykes

Roy A. Wykes
President

March 1973

Board of Directors and Senior Executive Staff (left to right): seated, D. F. Johnstone, G. D. Birks, G. E. W. Winship, W. G. C. Howland, R. A. Wykes, A. K. Leitch; standing, C. J. Parsons, N. J. Notley, T. Ralph, B. G. Thomas, G. M. Fuller

Part of Eglinton Square Mall

Consolidated Balance Sheet December 31, 1972 with comparative figures for 1971 (note 1c)

ASSETS

	1972	1971
Cash	$ 541,399	$ 347,918
Accounts receivable	786,353	447,025
Prepaid expenses	112,436	56,712
Mortgages receivable (note 2)	3,308,192	3,569,566
Amounts deposited for performance of contracts	274,136	260,595
Inventory of land, development costs and construction in progress (notes 1d and 3)	17,598,198	13,585,282
Investment properties:		
Buildings and equipment, at cost	20,045,461	12,200,465
Less accumulated depreciation (note 1f)	3,600,978	3,345,192
	16,444,483	8,855,273
Land, at cost	1,820,107	539,861
	18,264,590	9,395,134
Furniture and equipment, at cost	131,644	121,758
Less accumulated depreciation	73,589	65,494
	58,055	56,264
Deferred leasing expenses (note 1g)	—	170,709
	$40,943,359	$27,889,205

On behalf of the Board:

R. A. Wykes, Director

D. F. Johnstone, Director

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
Bank loans and overdrafts secured by assignment of amounts receivable	$ 2,650,029	$ 539,232
Accounts payable and accrued liabilities	2,540,167	1,662,013
Rents and deposits received in advance	234,161	135,733
Income taxes payable	735,469	374,930
Mortgage advances received on houses under construction	544,461	908,830
Deferred profit relating to land sales (note 1b)	179,732	184,819
Long-term debt:		
Mortgages payable (note 4)	15,820,186	13,992,666
First mortgage bonds, Series B (note 5)	384,000	436,000
First mortgage bonds of a subsidiary (note 6)	7,095,678	—
7% Sinking fund debentures of a subsidiary (note 7)	171,000	226,500
	23,470,864	14,655,166
Deferred income taxes	1,189,400	1,331,400
Minority interest (note 10)	444,845	—
Shareholders' equity:		
Capital stock (notes 8, 9 and 15):		
Common shares without par value. Authorized 2,754,180 shares; issued 1,865,430 shares	1,912,300	1,912,300
General reserve—unchanged during year	2,000,000	2,000,000
Retained earnings employed in the business	5,041,931	4,184,782
	8,954,231	8,097,082
	$40,943,359	$27,889,205

Auditors' Report

We have examined the consolidated balance sheet of Monarch Investments Limited and subsidiary companies as of December 31, 1972 and the consolidated statements of earnings and retained earnings employed in the business and source and application of funds for the year then ended. Our examination of the financial statements of Monarch Investments Limited (the parent company) and the wholly-owned subsidiaries included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a partially-owned subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in the method of amortizing deferred leasing expenses as described in note 1g to the consolidated financial statements, were applied on a basis consistent with that of the preceding year as restated (note 1c).

Toronto, Ontario
February 12, 1973

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Consolidated Statement of Earnings and Retained Earnings Employed in the Business

Year ended December 31, 1972
with comparative figures for 1971 (note 1c)

	1972	1971
Gross operating revenue:		
Land development and construction (note 1b)	$11,518,793	$ 8,551,639
Investment properties	2,970,467	2,426,176
Interest and sundry revenue	455,828	415,652
	14,945,088	11,393,467
Expenses:		
Cost of land and houses	9,228,182	7,039,394
Property operating expenses	1,311,986	1,085,306
Depreciation of investment properties (note 1f)	256,543	231,859
Amortization of deferred leasing expenses (note 1g)	170,709	48,000
Interest (note 13)	781,552	678,501
General and administrative expenses	1,127,031	882,803
Other depreciation	25,548	38,217
	12,901,551	10,004,080
Earnings before taxes on income and minority interest	2,043,537	1,389,387
Taxes on income	987,000	616,000
Net earnings before minority interest	1,056,537	773,387
Minority interest in earnings of a subsidiary	12,845	—
Net earnings for the year	1,043,692	773,387
Retained earnings employed in the business at December 31, 1970		3,063,384
Adjustments affecting years prior to 1971 (note 1c)		534,554
Retained earnings employed in the business at beginning of year, as restated	4,184,782	3,597,938
	5,228,474	4,371,325
Deduct dividends paid	186,543	186,543
Retained earnings employed in the business at end of year	$ 5,041,931	$ 4,184,782
Earnings per share, based on 1,865,430 shares (notes 1g and 15)	$ .56	$ .41

See accompanying notes to consolidated financial statements.

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1972
with comparative figures for 1971 (note 1c)

	1972	1971
Funds provided:		
Net earnings	$ 1,043,692	$ 773,387
Add (deduct) charges (credits) not involving cash:		
Depreciation	282,091	270,076
Amortization of deferred leasing expenses	170,709	48,000
Increase (decrease) in deferred income taxes	(142,000)	92,900
Decrease in deferred profit relating to uncollected proceeds of land sales	(5,087)	(47,364)
Minority interest in earnings of Terminal Towers (Hamilton) Limited	12,845	—
	318,558	363,612
Funds provided from operations	1,362,250	1,136,999
Proceeds of issue of long-term debt—mortgages	3,023,547	3,080,949
Increase in mortgage advances received on houses under construction	—	698,074
Increase in bank loans and overdrafts	2,110,797	—
Net current assets of Terminal Towers (Hamilton) Limited at date of acquisition (note 10)	302,229	—
Increase in other liabilities	1,337,121	513,343
Decrease in mortgages receivable	261,374	—
Total funds provided	8,397,318	5,429,365
Funds used:		
Increase in land, development costs and construction in progress	4,012,916	1,181,943
Additions to investment properties	145,616	66,806
Purchase of interest in Terminal Towers (Hamilton) Limited (note 10)	1,729,000	—
Increase in mortgages receivable	—	2,900,145
Increase in other assets	436,689	26,902
Deferred leasing expenses	—	28,484
Decrease in bank loans and overdrafts	—	403,823
Decrease in mortgage advances received on houses under construction	364,369	—
Repayment of long-term debt	1,328,704	483,976
Dividends	186,543	186,543
Total funds used	8,203,837	5,278,622
Increase in cash	$ 193,481	$ 150,743

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Principles of Consolidation and Accounting Policies:

(a) The accounts of all of the Company's wholly-owned subsidiaries, namely Monarch Construction Limited, Monarch Construction (Western) Limited, Monarch Construction (Eastern) Limited and Montrow Realty Limited, have been included in the consolidated financial statements together with the accounts of a partially-owned subsidiary, Terminal Towers (Hamilton) Limited from the date of acquisition October 6, 1972 (see note 10). All material intercompany transactions have been eliminated upon consolidation.

(b) The Companies take up income on land sales on the basis of cash received after such receipts exceed 15% of the sales price. Where part of the consideration represents mortgages receivable, the total consideration is included in gross revenue and the related gross profit is deferred, to be taken into income, after deducting the related income taxes, as the mortgages are liquidated. Income arising from the disposition of land under agreements for sale is recognized in the Companies' accounts only to the extent of cash received after such receipts exceed 15% of the total sales price.

(c) In 1972 the Companies changed their accounting policies, which change has been reflected in the consolidated financial statements for the two years ended December 31, 1972. The effect of this change is to add to the original cost of undeveloped land carrying charges including realty taxes, professional fees and mortgage interest. Such carrying costs have been reduced by rentals received in respect of undeveloped land. Under the Companies' former accounting policies, these net carrying charges were charged against income in the years incurred.

As a result of this change the previously reported figures have been restated as follows:

(i) The carrying value of land inventory, investment properties, and deferred income taxes as of January 1, 1971 were increased by $1,085,821, $40,033 and $591,300, respectively, and retained earnings employed in the business as of that date were increased by $534,554 being the net effect of adding carrying costs relating to land held as of January 1, 1971 previously charged to operations.

(ii) Net earnings for the year ended December 31, 1971 have been restated to reflect the changes as summarized below:

Increase in earnings before taxes on income	$333,609
Increase in taxes on income	171,000
Increase in net earnings	162,609
Net earnings previously reported	610,778
Net earnings as restated	$773,387

Net earnings for the year ended December 31, 1972 would have been less by $152,567 if computed on the basis of the former accounting policies.

(d) Land, development costs and construction in progress are carried at the lower of cost (as determined on the basis described in note 1c) and estimated realizable value.

(e) Interest, other than that relating to development of investment properties and land is charged to current operations. Interest relating to development of investment properties is included in the cost of the property until construction is completed and in deferred leasing expenses until the deemed date of completion.

(f) Depreciation of investment properties has been provided using the following methods:

(i) Heron's Hill Office Park and Terminal Towers Project—a sinking fund method using a 5% rate by which the cost will be amortized over the estimated useful life of 40 years in amounts increasing year by year.

(ii) Buildings acquired in 1959 and subsequent years—the straight line method by which the cost will be amortized over the estimated useful life of 40 years by equal annual charges.

(iii) Buildings acquired prior to 1959—the straight line method by which the undepreciated cost at December 31, 1970 will be amortized over the estimated remaining useful lives (12 to 27 years).

(iv) Equipment—the diminishing balance method at 20% of the undepreciated cost annually.

(g) Certain expenses incurred principally in 1970 including operating costs, leasing costs and interest, net of rental income, related to the Heron's Hill Office Park were deferred, and were being amortized by charges to operations over five years commencing in 1971. In 1972 it was decided to write off the unamortized balance of $170,709. Had the previous amortization procedure been continued the 1972 expense would have been $122,709 less and net earnings for the year after taxes on income would have been greater by approximately $60,000 or $.03 per share.

2. Mortgages Receivable:

Mortgages receivable bear interest at rates ranging from 5% to 12% and fall due as follows:

	1972	1971
1972	$ —	$ 479,801
1973	627,130	746,624
1974	639,750	411,756
1975	474,446	467,039
1976	467,942	467,336
1977	591,081	489,167
1978 and 1979	507,843	507,843
	$3,308,192	$3,569,566

3. Inventory:

Land, development costs and construction in progress comprise the following (see note 1d):

	1972	1971
Undeveloped land	$13,399,867	$ 8,925,935
Land under development including development costs	2,482,767	2,694,797
Construction in progress	1,715,564	1,964,550
	$17,598,198	$13,585,282

Net carrying costs included in the cost of undeveloped land aggregate $1,497,534 at December 31, 1972.

4. Mortgages Payable:

Mortgages payable bear interest (including participation in rentals by a mortgagee) at rates ranging from 4% to 9⅛% and fall due as follows:

	1972			1971
	Investment Properties	Land Held for Development	Total	Total
1972	$ —	$ —	$ —	$ 726,042
1973	461,939	679,700	1,141,639	1,391,958
1974	151,009	1,059,985	1,210,994	687,009
1975	167,112	1,802,532	1,969,644	1,320,046
1976	172,404	867,842	1,040,246	930,704
1977	184,475	834,752	1,019,227	915,439
1978 to 2005	5,595,790	3,842,646	9,438,436	8,021,468
	$6,732,729	$9,087,457	$15,820,186	$13,992,666

5. First Mortgage Bonds, Series B:

These bonds bear interest at 6¾% per annum and principal is repayable in equal annual instalments of $52,000 to 1978 with the balance falling due on October 1, 1979. The Company may redeem the bonds at a premium subject to certain restrictions.

6. First Mortgage Bonds of a Subsidiary:
These bonds bear interest at 7% per annum on $5,178,119 and 8% per annum on $1,917,559. They are repayable in monthly instalments of principal and interest to February 1, 1998.

7. 7% Sinking Fund Debentures of a Subsidiary:
The debentures are due May 1, 1975 and under certain circumstances the subsidiary may be required, prior to that date, to set aside certain amounts for the purchase, cancellation or redemption of debentures.

8. Capital Stock:
By Articles of Amendment effective November 1, 1972, the authorized and issued share capital of the Company was subdivided on a five for one basis under which the authorized capital was increased to 2,754,180 common shares without par value and the issued common shares were increased to 1,865,430. The sub-division of the common shares has been retroactively reflected in the consolidated financial statements.

9. Shares Reserved for Stock Options and Warrants:
Under the Company's Stock Option Plan which came into effect on November 1, 1972, 63,000 common shares were reserved for purchase by officers and key employees of the Company and its wholly-owned subsidiaries. Options covering 37,000 common shares have been granted to the foregoing exercisable until March, 1980 at a price of $6.48 per share and, in each of the first four years of the effective term and during the balance of the effective term, exercisable as to not more than 20% of the total shares covered thereby on a cumulative basis.

In addition 125,000 common shares are reserved for issuance upon exercise of warrants as referred to in note 15.

10. Acquisition of Interest in Terminal Towers (Hamilton) Limited:
On October 6, 1972 the Company acquired 76% of the common shares and 80% of the special shares of Terminal Towers (Hamilton) Limited ("Terminal") for a cash consideration of $1,729,000 which was financed to the extent of $1,500,000 by bank borrowings.

A condensed summary of the balance sheet of Terminal as at September 30, 1972, in which the carrying value of investment properties has been reduced from that recorded in the accounts of the acquired company to reflect the lower amount paid for the interest in Terminal and adjusted to reflect minority interests, follows:

		In thousands of dollars (Unaudited)
Current assets		$ 398
Less current liabilities other than current instalments of long-term debt		96
Net current assets		302
Investment properties (net book value $11,930)		8,980
		9,282
Deduct:		
First mortgage bonds	$ 7,121	
Minority interest	432	7,553
Net equity acquired by Monarch Investments Limited		$ 1,729

11. Pension Plan:
Based upon a valuation of the Company's pension plan as of January 1, 1971 the Company had no unfunded liability for past service. The Company is planning certain improvements to its existing plan which would result in an unfunded liability of approximately $185,000. The Company has accrued $66,000 at December 31, 1972 in respect of the estimated liability and it is proposed that the balance will be funded and charged to operations by annual payments to 1976.

12. Contingent Liabilities:
The Company and certain subsidiaries are on the covenant of certain first mortgages assumed by purchases of properties sold. It is considered unlikely that the Companies will become directly liable in respect of any such covenants.

13. Interest Expense:
Interest expense is made up as follows:

	1972	1971
Interest on mortgages and other long-term debt relating to investment properties	$ 673,909	$ 566,105
Interest on mortgages and other long-term debt relating to land held for development	305,282	384,229
Bank and other interest	107,643	112,396
	1,086,834	1,062,730
Less charged to cost of land	305,282	384,229
	$ 781,552	$ 678,501

14. Supplementary Information:
The aggregate direct remuneration paid during the year ended December 31, 1972 by the Company and its subsidiary companies to directors and senior officers of the Company, as defined in The Business Corporations Act (Ontario), was $176,250.

15. Subsequent Event:
Under an underwriting agreement the Company sold on February 1, 1973 $2,500,000 principal amount of 8% Sinking Fund Debentures, Series A, due 1993, and 250,000 common shares without par value for a total consideration of $4,295,000. The Series A debentures carry the right to receive on August 1, 1973 bearer common share purchase warrants entitling the bearers to purchase common shares of the Company at the price of $9.00 per share on or prior to February 1, 1978, on the basis of 50 common shares for each $1,000 principal amount of Series A Debentures. The Series A Debentures were issued under a trust indenture made as of January 1, 1973 and are secured by a specific charge on shares of subsidiaries and a floating charge on other assets of the Company.

On the pro forma assumption that the new financing and exercise of warrants had taken place on January 1, 1971 and on the assumption that the proceeds would produce earnings computed at an amount equal to the average cost of borrowed money, after deducting taxes thereon, there would be a dilutive effect on earnings per share for 1971 and 1972 of $.02 and $.05, respectively.

On site in Chartwell, Scarborough

Heron's Hill—the Company's Head Office

MONARCH GROUP
Ontario & Quebec Regional Holdings

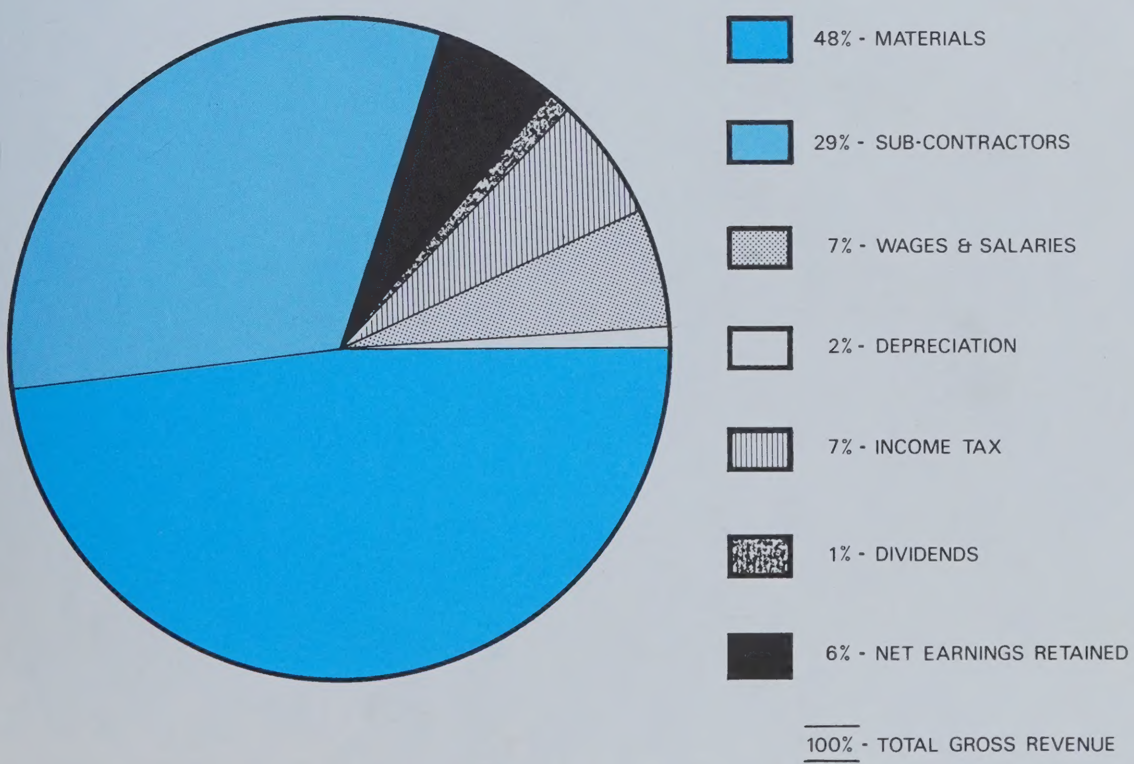

MONARCH GROUP
Metropolitan Toronto Area Holdings
Including Town of Markham
A - APARTMENTS
L - SUBDIVISION LAND
S - SHOPPING CENTRE
T - TOWNHOUSES
UNIONVILLE L
UNIONVILLE
MARKHAM
MILLIKEN L
CHARTWELL L
HENLEY CRESCENT A
KIPLING HEIGHTS S
HERON'S HILL OFFICE
2190 LAWRENCE AVE. E. A
TRETHEWEY A
725 EGLINTON AVE. W. A
117 OLD FOREST HILL RD. A
190 COLIN AVE. A
EGLINTON SQUARE S
MONARCH HEIGHTS A
42-48 CHARLES ST. E. OFFICE
2526-8 BLOOR ST. W. A
2402-6 QUEEN ST. E. A
HIGHWAY NO. 7
METRO TORONTO LIMITS
STEELES AVE
FINCH AVE
SHEPPARD AVE
CARTIER FREEWAY
MACDONALD
YORK MILLS RD
LAWRENCE AVE
EGLINTON AVE
ST CLAIR AVE
BLOOR ST
DANFORTH AVE
DUNDAS ST
QUEEN ST
KING ST
GARDINER EXPRESSWAY
QUEEN ELIZABETH WAY
HIGHWAY NO 27
HWY 427
KIPLING AVE
HIGHWAY NO 400
JANE ST
KEELE ST
DUFFERIN ST
BATHURST ST
AVENUE RD
YONGE ST
BAYVIEW AVE
DON VALLEY PARKWAY
VICTORIA PARK AVE
KENNEDY RD
McCOWANS RD

Monarch Investments Limited

Companies in the Monarch Group

MONARCH INVESTMENTS LIMITED
MONARCH CONSTRUCTION LIMITED
MONARCH CONSTRUCTION (EASTERN) LIMITED
MONARCH CONSTRUCTION (WESTERN) LIMITED
MONTROW REALTY LIMITED
TERMINAL TOWERS (HAMILTON) LIMITED

Our gross revenue in 1972 was distributed in this way ...



Condominium living has come to stay . . . Monarch Construction Limited is now developing its third condominium town house development in Chartwell, Scarborough, all of which are sold out. Having up to 1,500 square feet of finished living area, plus a small basement, utilities room and garage, the town houses are of four basic designs with the largest models selling for up to $39,000. The architects are Lipson and Dashkin of Don Mills and the continuing management is being undertaken by Montrow Realty Limited, our property management subsidiary.